

# IMPROVEMENT PROGRAM FOR THE VENTILLA-TARAPAYA HIGHWAY AND TRANSPORTATION SECTOR SUPPORT

BO-0098

## EXECUTIVE SUMMARY

Borrower:	Republic of Bolivia	
Executing agency:	National Road Administration (SNC)	
Amount and	Bank: Fund for Special Operations (FSO)	US\$52.0 million
source:	Nordic Development Fund (NDF) (SDR)	US\$ 6.8 million
	Local:	<u>US\$13.0 million</u>
	Total:	US\$71.8 million

Terms and	Amortization period:	40 years
conditions:	Grace period:	10 years
	Execution:	4 years
	Disbursement:	4.5 years
	Interest rate:	1% for 10 years;
	Supervision and inspection:	2% for 30 years
	Credit fee:	1%
		0.50%

**Objectives:** The general objective of the proposed program is to help improve the competitiveness of the country's productive sectors, in the context of growing domestic and international trade, by enhancing the level of service on the basic highway system, and reducing costs for users.

The program's specific objectives are to upgrade the characteristics and structural capacity of the Ventilla-Tarapaya-Potosí section, by undertaking roadway improvements, paving and rehabilitation, and increasing the usability of its access roads, in accordance with proper safety standards. The program will also introduce more efficient management methods for maintaining the system and measures for institutional strengthening to increase sector efficiency.

**Description:** The program consists of upgrading and paving the Ventilla-Tarapaya stretch (US\$31.5 million), rehabilitating the Tarapaya-Potosí stretch (US\$1.7 million), and improving access roads to communities in the immediate area of influence of the Ventilla-Tarapaya-Potosí stretch (US\$2.6 million). It also includes support for the transportation sector through institutional strengthening (US\$5.65 million), including training for personnel of the SNC

	<p>and the Office of the Deputy Ministry for Transportation, Communications, and Civil Aviation (VMTCAC), and the purchase of equipment and installation of computer systems (US\$5.2 million)</p> <p>Funding for engineering and administration (US\$6.4 million), periodic maintenance of the basic system (US\$5.5 million), the purchase of land for weigh stations, rights-of-way, and relocation (US\$700,000), repayment of the PPF (US\$1.5 million), contingencies and escalation (US\$6 million), and finance charges (US\$2.5 million) are included.</p> <p>With Bank support, the Bolivian authorities have arranged parallel funding from the Nordic Development Fund (NDF) for 5 million Special Drawing Rights, or US\$6.8 million equivalent, for the procurement of equipment, training, and institutional strengthening (paragraphs 1.22, 1.28, 2.17, 2.18, 2.23, and 2.29).</p>
Project consistency with Bank's country and sector strategy:	<p>The Bank's strategy for Bolivia stresses efforts to reduce poverty. Improving the Ventilla-Tarapaya highway and its feeder roads will help to create opportunities for economic growth and temporary employment during execution of the works in areas with high poverty rates. It will also improve access for the local population to basic social services by improving transportation facilities and reducing travel time. The institutional strengthening component will help to better organize the subsector and therefore its governance.</p>
Environmental and social review:	<p>The direct negative environmental impact of the works, particularly during the construction stage, is expected to be of low intensity, localized, predictable, and readily mitigated. The impact of the works on the region's socioeconomic situation will be essentially positive, and measures are planned to mitigate and compensate for any inconvenience suffered by inhabitants of dwellings or users of public spaces that will have to be relocated (approximately 211), either because they were constructed within the right-of-way of the existing highway, or to make way for minor roadway realignments (paragraphs 3.17 to 3.20).</p>
Benefits:	<p>The major benefits of the project will lower vehicle-operating costs for the users of the roads. The inhabitants of the area of influence will also benefit from an increased supply of transportation and the likely reduction of freight and passenger charges, greater frequency of service, and reduced travel time to social service centers.</p> <p>With better maintenance and traffic flows throughout the basic system, rational and efficient distribution of maintenance resources, and the introduction of vehicle weight controls to avoid premature deterioration of pavements, the costs of maintaining the highways will be reduced, as will transportation costs.</p>

Risks:

As a result of the institutional instability that the SNC has been experiencing over the last four years, it has lost much of its most qualified professional and technical personnel, and has been unable to replace them because of the low salary levels it still offers. The introduction and sustainability of sector planning and road administration systems and a system of weight control will depend on the availability of qualified personnel, appropriate allocation of resources for operating those systems and keeping them up-to-date, and the support of the authorities in ensuring that the regulations and recommendations resulting from their use are observed by road users and the general public. In the short term, these deficiencies will be overcome through advisory services, training and consulting services provided through the PPF and the loan. In the medium term, additional consultants and technical personnel will be hired, financed partially with external resources. However, both the VMTAC and the SNC will have to find the means to improve salary levels and to hire permanent professional and technical staff in order to ensure the continuity of those efforts, and financial sources will have to be secured for this purpose. As a condition of the first disbursement, the borrower will submit a staffing reinforcement plan (paragraph 3.12), which will be monitored and updated during the periodic program review meetings.

Through toll collections, the SNC has been able to secure funds sufficient to meet 60% of the estimated annual budget for maintaining the basic highway system during the period from 1999 to 2001. The difference is to be made up through contributions from the TGN, but given the lack of budget resources available there is a considerable risk that this will not be achieved, and the goal of comprehensive upgrading for the basic highway system could therefore be compromised. Accordingly, for the first few years of the program, arrangements have been made for the Bank to provide funding for periodic maintenance, and for the World Bank to finance routine periodic maintenance, which will bring maintenance coverage to approximately 80% on average (paragraph 3.14). Nonetheless, the government will still need to find a way to secure permanent sources of funding to ensure sustainable road maintenance. The program includes resources to hire consulting services and support the identification and formulation of mechanisms to establish permanent sources of funding for road maintenance. Consequently, it has been agreed that the borrower will submit its plan for sustainable financing for road maintenance to the Bank within 18 months after signature of the loan contract.

Special Contractual  
Conditions:

All the concession projects for roadway upgrading, expansion, rehabilitation, and/or reconstruction, which involve the stretches with the greatest toll revenue-producing potential, must be carefully analyzed, particularly with respect to their impact on reducing SNC revenues, which are the primary source of funding for maintenance throughout the basic system. The concession plans will also be part of the annual operating plans (AOPs) and will be discussed at the periodic meetings (paragraph 3.23).

Conditions precedent to the first disbursement:

1. The weight control stations included in the Short-Term Plan must be installed and operational (paragraph 1.24).
2. Evidence must be submitted that the 1999 Maintenance Plan has been funded and is being implemented (paragraph 3.14).
3. The Master Transportation Plan must be implemented (paragraph 1.19).
4. The Project Coordination Unit (PCU) for coordination of projects with international organizations must be established and operational (paragraphs 2.8 and 3.2).
5. The Program for personnel reinforcement and training must be approved (paragraph 2.22 and 5.31).
6. The annual operating plan (AOP) for year one of the program must be approved (paragraph 3.23).
7. The agreements with the departmental governments of Oruro and Potosí for local support to the works (paragraph 5.8), improvements in access roads (paragraph 3.25), and implementation of the Compensation and Resettlement Plan (PRIPA) must be negotiated and signed by the respective parties (paragraph 3.17).

Other conditions:

- a. An independent firm of public accountants (paragraph 4.9) must audit the project financial statements.
- b. Additional Audit Department staff must be hired, as agreed upon with the Bank (paragraph 4.9).
- c. Periodic reviews of the AOPs must be carried out during program execution, and any measures agreed upon must be taken (paragraph 3.23).
- d. Annual maintenance report must be submitted beginning in the year 2000, throughout the program execution period (paragraphs 3.13 and 3.23).
- e. The budget allocations for periodic and routine maintenance of the basic system must be provided throughout the life of the proposed loan, according to the plan, and as agreed at the AOP review meetings (paragraphs 1.23 and 3.14).
- f. A Plan for Sustainable Financing of Road Maintenance must be prepared and submitted to the Bank within 24 months after

signature of the contract (paragraph 5.32).

- g. The SNC Environmental Unit must certify that the environmental and social protection measures called for under the respective contracts have been duly implemented, before authorizing the release of funding for the works.
- h. Bolivia must agree to ensure that the legal provisions remain in force requiring the central government to set aside annual transfers to departmental governments to cover local counterpart funding for the road works to be carried out under the program (paragraph 5.8).
- i. A revolving fund must be established equivalent to 5% of the loan amount (paragraph 3.30).
- j. Up to US\$1 million in previous expenditures may be recognized as part of the proposed loan and up to US\$500,000 as part of the local counterpart funding (paragraph 3.32).
- k. Before a call for bids on works can be issued, evidence must be submitted that: (i) the bidding documents include environmental protection measures, and (ii) the necessary environmental permits and licenses have been obtained. If the works involve relocation or resettlement, the PRIPA must be complied with before construction begins.

Poverty-targeting  
and social sector  
classification:

The project is located in a region with a poverty rate above the average for the country. Since the project will benefit most of the population in that area, according to the Report on the Eighth General Increase in Resources (AB-1704), it qualifies as a geographically poverty-targeted investment and is therefore part of a key area of Bank activity for social equity and poverty reduction (paragraphs 5.22 and 5.23).

Exceptions to Bank  
Policy:

As indicated in the following section on procurement, the works to upgrade community access roads will be carried out by the Departmental Road Administrations (SDCs) of the departments of Potosí and Oruro through direct contracting (paragraph 3.25).

Procurement:

Procurement will be carried out in accordance with normal Bank procedures. Construction contracts for amounts exceeding US\$3 million will be awarded through international competitive bidding (ICB) in accordance with Bank rules. The works on the Ventilla-Tarapaya stretch will be divided into two sections and will be subject to prequalification, using the two-envelope procedure with deferred opening.

All consulting contracts for amounts of more than US\$200,000 will be awarded through international calls for proposals (ICP), and procurement of goods for amounts greater than US\$350,000 will follow the Bank's normal ICB procedures (paragraphs 3.24 and 3.26).

Procurement in amounts below these thresholds will be carried out according to the procedures established in national legislation. Improvement works on community access roads will be carried out by the departmental governments of Potosí and Oruro through direct contracting under agreements to be signed with the SNC. The total amount of the works to be executed under these agreements may not exceed the equivalent of US\$2.6 million (paragraph 3.25).